

AMENDED IN SENATE MAY 5, 1997
AMENDED IN SENATE MARCH 31, 1997

SENATE BILL

No. 413

Introduced by Senator Peace
(Coauthors: Senators Alpert and Burton)
(Coauthors: Assembly Members Aroner, Ducheny, and
Wayne)

February 18, 1997

An act to add *and repeal* Section 1260 ~~to~~ of the Health and Safety Code, relating to health, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 413, as amended, Peace. Health: nonprofit hospitals.

Existing law provides for the licensure of health facilities, including general acute care hospitals, by the State Department of Health Services, and makes the violation of its provisions subject to criminal sanction.

This bill would prohibit any board member of a nonprofit general acute care hospital who negotiates the terms and conditions of a sale or transfer of the nonprofit hospital to a for-profit corporation or entity or a mutual benefit corporation from receiving any salary, compensation, payment, or other form of financial remuneration from the for-profit corporation or entity or the mutual benefit corporation. By creating a new requirement in the provisions governing general acute care hospitals, this bill would change

the definition of a crime, thereby imposing a state-mandated local program.

The bill would also require any person who is a member of management of the nonprofit corporation and who presents information or opinions to the board regarding the sale or transfer of the nonprofit general acute care hospital that are relied upon, or considered by, any of the board members in making decisions regarding the sale or transfer, to make a written affirmative declaration that he or she will not work for the for-profit corporation or entity or the mutual benefit corporation in the future. In making any decision regarding the sale or transfer of the nonprofit general acute care hospital it would prohibit the board from relying on any information presented by any person who does not make this written affirmative declaration.

The bill would exempt from this prohibition any person whose only role in the transfer or sale is to provide exclusively factual data, as described, to the nonprofit hospital.

The bill would repeal its provisions on January 1, 2003.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ²/₃. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1260 is added to the Health and
2 Safety Code, to read:

3 1260. (a) Any member of the board of directors of a
4 nonprofit corporation that is a nonprofit general acute
5 care hospital, as defined in subdivision (a) of Section 1250
6 of the Health and Safety Code, who negotiates the terms
7 and conditions of a sale or transfer of the nonprofit
8 general acute care hospital to a for-profit corporation or

1 entity or a mutual benefit corporation is prohibited from
2 receiving any salary, compensation, payment, or other
3 form of remuneration from the for-profit corporation or
4 entity or mutual benefit corporation following the close
5 of the sale or the transfer.

6 (b) Any person who is a member of management of
7 the nonprofit corporation and who presents information
8 or opinions to the board regarding the sale or transfer of
9 the nonprofit general acute care hospital as described in
10 subdivision (a) that are relied upon, or considered by, any
11 of the board members in making decisions regarding the
12 sale or transfer, shall make a written affirmative
13 declaration that he or she will not work for the for-profit
14 corporation or entity or the mutual benefit corporation in
15 the future. In making any decision regarding the sale or
16 transfer of the nonprofit general acute care hospital, the
17 board of the nonprofit corporation is prohibited from
18 relying on any information presented by any person to
19 whom this subdivision applies who does not make this
20 written affirmative declaration. This subdivision shall not
21 apply to any person whose only role in the sale or transfer
22 is to provide to the nonprofit general acute care hospital
23 exclusively factual information about the hospital,
24 community, financial status of the hospital, or other
25 similar data.

26 (c) *This section shall remain in effect only until*
27 *January 1, 2003, and as of that date is repealed, unless a*
28 *later enacted statute, that is enacted before January 1,*
29 *2003, deletes or extends that date.*

30 SEC. 2. No reimbursement is required by this act
31 pursuant to Section 6 of Article XIII B of the California
32 Constitution because the only costs that may be incurred
33 by a local agency or school district will be incurred
34 because this act creates a new crime or infraction,
35 eliminates a crime or infraction, or changes the penalty
36 for a crime or infraction, within the meaning of Section
37 17556 of the Government Code, or changes the definition
38 of a crime within the meaning of Section 6 of Article
39 XIII B of the California Constitution.

1 Notwithstanding Section 17580 of the Government
2 Code, unless otherwise specified, the provisions of this act
3 shall become operative on the same date that the act
4 takes effect pursuant to the California Constitution.

5 SEC. 3. This act is an urgency statute necessary for the
6 immediate preservation of the public peace, health, or
7 safety within the meaning of Article IV of the
8 Constitution and shall go into immediate effect. The facts
9 constituting the necessity are:

10 Due to the high number of sales of nonprofit hospitals
11 that are currently pending and expected to take place in
12 California, it is necessary that this act take effect
13 immediately in order to ensure the protection of the
14 community's financial interest in the assets of the
15 nonprofit hospital and the community's interest in
16 maintaining access to quality hospital care.

